

SUMMARY ANALYSIS OF AMENDED BILL

Author: Kaloogian Analyst: Jeani Brent Bill Number: AB 2108

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 03/23/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Conformity/Hope Scholarship Credit/Franchise Tax Board Report Fiscal Impact to Legislature

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions previous.
- ☐ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☐ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended .
- ☐ FURTHER AMENDMENTS NECESSARY.
- ☒ BOARD POSITION CHANGED TO No Position.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 18, 1998, STILL APPLIES.
- ☒ OTHER - See comments below.

SUMMARY OF BILL

This bill would conform California law to the federal non-refundable HOPE Scholarship credit contained in the federal 1997 Taxpayer Relief Act (TRA).

This bill also would require the department to report to the Legislature on or before July 1, 2000, the fiscal impact of conformity to the HOPE credit.

SUMMARY OF AMENDMENT

The March 23, 1998, amendments would conform to the following rules provided with the federal HOPE Scholarship credit.

1. The limitation based on modified adjusted gross income);
2. The definitions of "qualified tuition and related expenses" and "eligible educational institution";
3. Special rules regarding identification requirements, scholarship adjustments, treatment of expenses paid by the dependent, treatment of certain prepayments, denial of double benefit, married individuals filing separate returns, and nonresident aliens; and
4. Inflation adjustments.

DEPARTMENTS THAT MAY BE AFFECTED:

 STATE MANDATE

 GOVERNOR'S APPOINTMENT

Board Position:

☐ S ☐ O
☐ SA ☐ OUA
☐ N ☒ NP
☐ NA ☐ NAR
☐ PENDING

Agency Secretary Position:

☐ S ☐ O
☐ SA ☐ OUA
☐ N ☐ NP
☐ NA ☐ NAR
DEFER TO

GOVERNOR'S OFFICE USE

Position Approved
Position Disapproved
Position Noted

Department/Legislative Director Date
Johnnie Lou Rosas **3/30/98**

Agency Secretary Date

By: Date:

In addition, the amendments would specify an operative date.

The amendments resolve one of the policy considerations and the technical considerations discussed in the department's analysis of the bill as introduced February 18, 1998, by accepting the amendments suggested by the department. Except for the policy and technical consideration and the Board position, the remainder of the department's analysis still applies. The following policy considerations still apply and are included below for convenience.

Policy Considerations

The federal credit allows taxpayers to claim 100% of the first \$1,000 of qualified tuition and fees. This bill would allow an identical credit under state law, thereby effectively doubling the amount of allowable credit – 200% of the first \$1,000 of qualified tuition for the combined credits.

Neither the federal HOPE credit nor the credit created by this bill have a sunset date. Credits are typically enacted with a sunset date so that the Legislature can review their effectiveness.

This credit would not be limited to taxpayers who are residents of California.

POSITION

No Position.

The Board considered this bill at its March 26, 1998, meeting, but took no position. Julie Bornstein, acting on behalf of Controller Kathleen Connell was opposed, Member Dean Andal was neutral, and Robin J. Dezember, acting on behalf of Member Craig L. Brown, abstained.